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Saturday's

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The President's Daily Brief

March 16, 1974

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~~*Top Secret*~~ 25X1

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THE PRESIDENT'S DAILY BRIEF

March 16, 1974

PRINCIPAL DEVELOPMENTS

According to the authoritative Cairo newspaper Al Ahram, the Arab oil ministers will agree to lift the oil embargo tomorrow for a trial period. *(Page 1)*

The Organization of Petroleum Exporting Countries meets today; there is a good chance the members will try to hold the line on prices for the next three months. *(Page 2)*

There are further reverberations over Portugal's dismissal of two senior military officers. *(Page 4)*

Italian Prime Minister Rumor's new government probably will survive next week's vote of confidence but may not endure beyond the mid-May referendum on divorce. *(Page 5)*

There is little likelihood that the Thai Government will move vigorously against insurgency, now totaling some 7,000 men, as long as it remains near its present level. *(Page 6)*

Negotiations between the Iraqi Government and Kurdish rebels may resume shortly, despite new fighting that began on March 13. *(Page 7)*

In Ethiopia, the military elements who forced a cabinet change and wrested other concessions from Emperor Haile Selassie late last month are preparing to purge senior armed forces officers identified with the former government. *(Page 8)*

A note on USSR-Iraq appears on *Page 8*.

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OIL EMBARGO

The authoritative Egyptian newspaper Al Ahram said today that the Arab oil ministers will unanimously agree to lift the oil embargo tomorrow for a trial period, after which the ministers will meet to reassess the situation.

The newspaper predicted that the Arabs would also decide to increase oil production, but that it would not immediately return to the level of September 1973.

Al Ahram said that opposition to lifting the embargo--primarily from Libya and Syria--had prevented agreement during the talks in Tripoli on Wednesday.

According to a Western press dispatch from Cairo this morning, the trial period is likely to last two months. A period of this length was reportedly put forth as a compromise solution by Algeria earlier this week.

Prime Minister Meir's strong speech before the Knesset on March 10--particularly her insistence on retaining Arab territory--strengthened the hand of the more militant Arab states in opposing an unconditional end to the embargo [redacted] 25X1

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OPEC

The Organization of Petroleum Exporting Countries meets today principally to discuss the price of oil. There is a good chance the members will try to hold the line on prices for the next three months despite the current downward pressure on prices caused by an oversupply of crude oil.

The most important producer, Saudi Arabia, seems disposed to see prices lowered. King Faysal is known to favor this, and his representative, Oil Minister Yamani, probably will push hard for a decrease. If Yamani fails to get wide support from the others, he may threaten to increase Saudi production substantially and thereby drive prices down.

Those OPEC members that most need the oil revenues generated by today's prices, however, adamantly oppose any price reduction. Venezuela is one of these; its predicament is shared by many exporting countries.

Venezuela's new minister of mines and hydrocarbons, Valentin Hernandez, and other oil experts in the new administration have indicated that the government intends to maintain current tax reference values--which now average $14.08 per barrel for crude and refined products--at least for the immediate future. They reportedly do not rule out a slight downward revision later this year, but caution that any decision on whether and how much to lower prices will depend on circumstances prevalent at the time.

The newly inaugurated government is counting on high oil prices to finance its domestic economic development plans. The new minister of finance, Hector Hurtado, said this week that a special reserve fund equaling about half of Venezuela's oil revenues will be set up to pay for government programs of highest priority.

Hurtado cited as areas that would benefit from this fund: the steel industry, petrochemicals, oil tankers, merchant marine, and agriculture. He estimated that this year the administration will be able to put some $4.75 billion in the special fund.

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Iran will also fight any attempt to reduce prices at this time. Tehran was one of the principle proponents of raising them last December.

Venezuela and Iran will probably be supported by many other producers, including Kuwait, the United Arab Emirates, Libya, Algeria, Nigeria, and Indonesia. In the interest of OPEC unity, a compromise solution--such as freezing prices for another quarter--seems likely.

Whatever the OPEC members decide, the prices they can obtain will be influenced by the Arab decisions on future production levels. If they decide to increase production to the level of September 1973, oil prices will certainly fall.

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PORTUGAL

The appointment of General Luz Cunha as Portugal's armed forces chief of staff makes it doubtful that the government will relax control over its African territories anytime soon.

Luz Cunha is an ultraconservative who has long favored a strong military presence in Portugal's overseas territories to conduct the war against insurgency. Luz Cunha is well-connected at the general staff level, but a number [redacted] have expressed a low regard for his professional capabilities. 25X1

The dismissals of Generals Costa Gomes and Spinola, who favored greater autonomy for the overseas territories, apparently have been accepted by a majority of the military. Pockets of discontent, however, undoubtedly remain.

There have been no indications that Costa Gomes or Spinola have been stripped of their rank or have suffered any further discipline. The government probably will handle their cases gingerly in view of Spinola's widespread support in the military.

In view of the government's censorship policies, Prime Minister Caetano must have given tacit consent to the publication last month of Spinola's book recommending a federation between Portugal and its overseas territories and autonomy for the latter. [redacted] 25X1

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Caetano now appears to be backing away from any association with such proposals in order to preserve peace and his own authority. 25X1

The bitterness generated by the dispute is not likely to subside quickly and more leadership changes may occur.

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ITALY

Italian Prime Minister Rumor's new center-left government will probably survive a vote of confidence in parliament next week. The odds, however, are against it enduring beyond the national referendum on legalized divorce, scheduled for May 12.

The coalition consists of the dominant Christian Democrats, the Socialists, and the Social Democrats. The Republican Party, whose withdrawal on March 1 caused the government to fall, has agreed to support the coalition in parliament.

The new government has pledged, as did its predecessor, to give top priority to the fight against inflation and other problems worsened by the energy crisis. The Republican Party's refusal to accept cabinet posts, however, is one sign that the dispute over how to achieve these goals remains unresolved.

The campaign leading up to the divorce referendum will have first call on political energies in the next several weeks. The campaign will not be confined to the divorce issue.

Lay forces, including all of the political parties except the Christian Democrats and the Neo-Fascists, will portray the issue as a challenge by the Church to individual civil rights. The Communists and Socialists will try to use the antidivorce position of the Neo-Fascists to make the referendum a crusade against the fascists.

Many politicians view the referendum as a personal battle between the leaders of the country's two largest parties--Christian Democrat Amintore Fanfani and Communist Enrico Berlinguer. In January, Fanfani successfully blocked a Berlinguer-led effort to avoid holding the referendum.

The referendum has placed the two parties at loggerheads at a time when Berlinguer has been stressing Communist readiness for a modus vivendi with the Christian Democrats.

The Communists will find it hard to maintain the moderate approach that gave Rumor's last coalition an extended breathing spell. Although the Communists do not want to scrap their drive for compromise with the Christian Democrats, the Communist stance has already begun to stiffen.

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THAILAND

The Thai insurgency has grown slowly but steadily over the past few years; even so, there are still less than 7,000 armed insurgents in northern, northeastern, and south central Thailand. A recent study by the intelligence community concludes that the insurgency will probably continue to grow slowly over the next few years, largely in the north and northeast where the movement is strongest and external support is most available.

Chinese support to the northern insurgents has been limited and might be reduced in the future. North Vietnam's support in the northeast has also been small scale. In any case, the insurgency's future depends more on expansion of its domestic political base than on outside support.

Few Thai officials consider the insurgency to be a serious threat at this time, and there is little chance that the government will move vigorously as long as it remains at or near present levels. If anti-American sentiment increases in Thailand, the Communists may consider harassing attacks against US airbases. The odds, however, are against such attacks.

Should the insurgency expand more rapidly than anticipated, or should the government be weakened by other internal problems, the US presence in Thailand could come into contention. Festering insurgency, together with other developments reflecting adversely on the government, could also be used to justify a return to power by the Thai military. In such a case, the implication would be advanced that the US supported the takeover.

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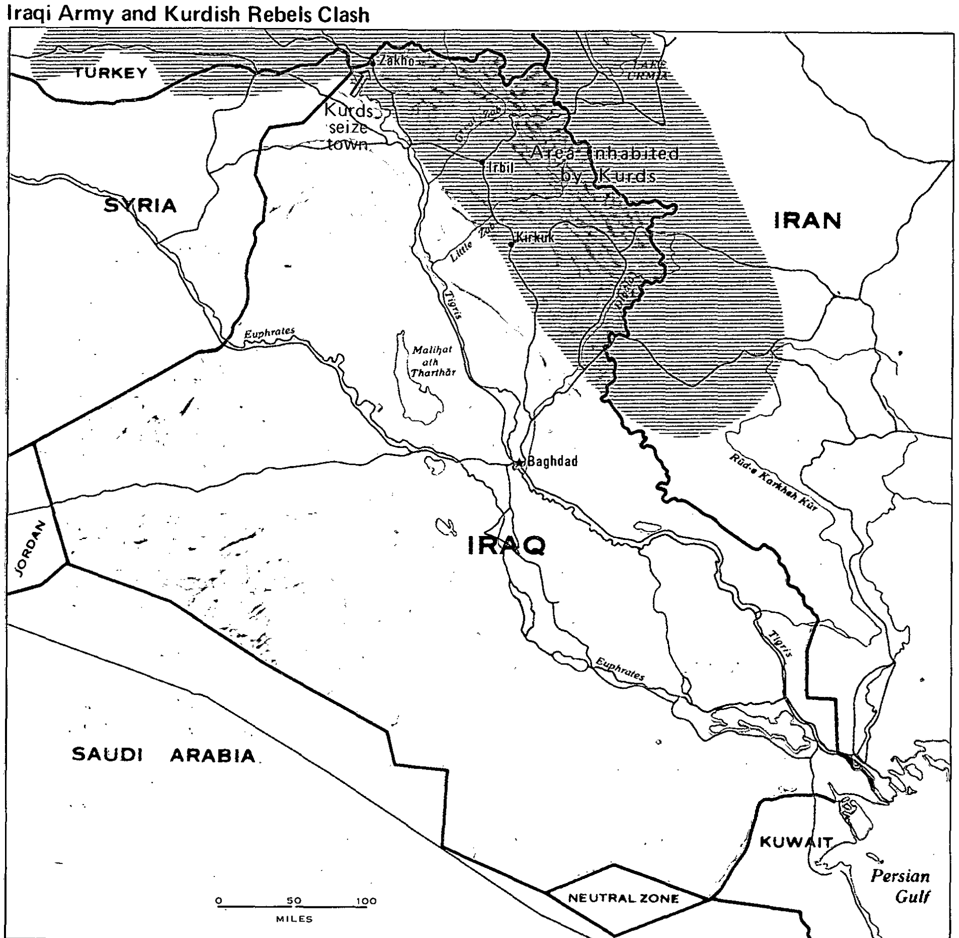
Iraqi Army and Kurdish Rebels Clash



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IRAQ

Negotiations between the Iraqi Government and Kurdish rebels may resume shortly, despite the new fighting that began on March 13. The Kurds are reported to have seized a town and several army garrisons along the Turkish border while the army is said to have opened artillery fire on several Kurdish villages.

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NOTES

Ethiopia: The military officers and NCOs who forced a cabinet change and wrested other concessions from Emperor Haile Selassie late last month are pressing the government to purge senior armed forces officers identified with the former government. The US Embassy reports that 150-200 army, 25-30 air force, and about 12 naval officers are marked for dismissal and prosecution on corruption charges. Leaders of the rebellion seem satisfied so far with their success in changing the civilian leadership, however, and are willing to give Prime Minister Endalkatchew and his colleagues a chance to show what they can do.

USSR-Iraq: The Iraqis have agreed to accept $12-13 per barrel for oil shipped on Soviet account instead of the $17 per barrel they demanded in January. This demand had brought Iraqi shipments to the Soviet Union to a halt. Soviet plans to obtain up to 400,000 barrels per day of Iraqi oil in 1974--three times the amount shipped in 1973--may not materialize, however, because Iraq has indicated that future purchases must be for cash rather than on a barter basis.

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